



# Standard Oil

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February 24, 2009

Co-chair Thomas Colapietro  
Co-chair Jim Shapiro  
Senator Kevin Witkos  
Representative Penny Bacchiochi

General Law Committee:

Good afternoon, gentlemen, my name is David Cohen, I am Executive Vice President and a co-owner of Standard Oil of Connecticut. We are a family-owned heating oil company headquartered in Bridgeport, CT. We provide heating oil and heating repair service to over 26,000 residential accounts in Fairfield, New Haven and Litchfield counties.

I would like to direct my comments today to H.B. 6470, AN ACT CONCERNING RESIDENTIAL RETAIL HEATING OIL AND PROPANE CONTRACTS. This bill, in part, deals with allowing customers to enroll into Guaranteed Oil Price contracts using telephonic communication, more specifically using an IVR or Interactive Voice Response system.

First, I would like to give you some historical background on Guaranteed Oil Price contracts. These contracts became popular about 20 years ago as a way for customers to control the cost of their heating oil. The oil company and customer would sign a contract to provide heating oil at a specified price for a specified period of time. These contracts immediately became popular and remain very popular to this day. It gives many customers great comfort to know exactly how much they will be paying for oil through the upcoming heating season. About 50% of our customers are on some kind of Guaranteed Oil Price contract at this time.

Originally, our company sent written contracts to our customers through the mail and gave customers 6-8 weeks to sign the contract and send it back to us. This worked when oil prices were very stable. However, as oil prices became more volatile, this became extremely risky. We would have to buy a 10 million gallon inventory of oil and hope that oil prices would not fall during the next 6 to 8 weeks.

Many oil companies have therefore stopped offering Guaranteed Oil Price contracts to their customers because the risks are too great.

Our solution to this problem has been to develop an internet-based system for our customers. Every day we post a price on our website and allow customers to go in and commit to that price if they so choose. If they do choose to lock-in, we then purchase futures contracts to back up our guaranteed oil price commitment to our customer. This way we can provide a convenient method for customers to lock-in a guaranteed price while not exposing our company to potentially catastrophic risk.

The only problem with this system is that there are a number of customers who do not have internet access, especially some older customers. Since almost every homeowner has a telephone, a telephone-based system would allow these customers to phone into our Interactive Voice Response system and lock-in a price at their convenience. This bill has many safeguards for the consumer, including the requirement that the text of the contract be offered in writing before hand, that the system be able to record the transaction and that the customer is allowed 3 days to rescind the contract.

I therefore believe this bill is a good one for the consumer. It allows all consumers, whether they have internet access or not, to continue to obtain a Guaranteed Oil Price if they so desire.

Please support H.B. 6470, AN ACT CONCERNING RESIDENTIAL RETAIL HEATING OIL AND PROPANE CONTRACTS.

If you have any questions I would be happy to address them at this time.

Sincerely,

David Cohen  
Executive Vice President